

SENATE BILL 641

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C4

2004 Regular Session  
4r2610  
CF 4r2936

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By: **Senator Astle**

Introduced and read first time: February 6, 2004

Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Life Insurance - Insurable Interests**

3 FOR the purpose of authorizing an organization to which charitable contributions  
4 may be made under certain provisions of federal law, and certain entities  
5 approved in writing by the organization, to procure or cause to be procured an  
6 insurance policy on the life of an individual under certain circumstances;  
7 providing that certain institutions, organizations, and entities have an  
8 insurable interest in the life of the insured whether the insurance policy is  
9 originally purchased by or later transferred to the institutions, organizations,  
10 and entities; establishing that certain organizations and entities are not  
11 prohibited from being the beneficiary or owner of the policy or paying the  
12 premiums for the policy; and generally relating to life insurance and insurable  
13 interests.

14 BY repealing and reenacting, with amendments,  
15 Article - Insurance  
16 Section 12-201(c)  
17 Annotated Code of Maryland  
18 (2003 Replacement Volume)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
20 MARYLAND, That the Laws of Maryland read as follows:

21 **Article - Insurance**

22 12-201.

23 (c) (1) [This subsection applies only to a] A charitable, benevolent,  
24 educational, governmental, or religious institution that is described in § 170(b)(1)(A)  
25 or § 501(c)(3) of the Internal Revenue Code, or a trust for the benefit of that  
26 institution that is qualified as a pooled income fund under § 642(c)(5) or a charitable  
27 remainder trust under § 664 of the Internal Revenue Code[.

28 (2) An institution or trust described in paragraph (1) of this subsection],  
29 may procure or cause to be procured an insurance policy on the life of an individual if:

1 (i) the institution or trust is designated irrevocably as the  
2 beneficiary of the insurance policy; and

3 (ii) the application for the insurance policy is signed by the  
4 individual whose life is to be insured or the individual's legal guardian.

5 (2) AN ORGANIZATION TO WHICH A CHARITABLE CONTRIBUTION MAY  
6 BE MADE UNDER § 170(C)(1), § 170(C)(2), OR § 170(C)(3) OF THE INTERNAL REVENUE  
7 CODE, OR A TRUST, PARTNERSHIP, CORPORATION, LIMITED LIABILITY COMPANY, OR  
8 SIMILAR ENTITY APPROVED IN WRITING BY THE ORGANIZATION, MAY PROCURE OR  
9 CAUSE TO BE PROCURED AN INSURANCE POLICY ON THE LIFE OF AN INDIVIDUAL IF:

10 (I) THE INDIVIDUAL WHOSE LIFE IS TO BE INSURED CONSENTS IN  
11 WRITING TO THE ORGANIZATION OR ENTITY PROCURING THE INSURANCE POLICY OR  
12 CAUSING THE INSURANCE POLICY TO BE PROCURED; AND

13 (II) THE APPLICATION FOR THE INSURANCE POLICY IS SIGNED BY  
14 THE INDIVIDUAL WHOSE LIFE IS TO BE INSURED OR THE INDIVIDUAL'S LEGAL  
15 GUARDIAN.

16 (3) AN INSTITUTION, ORGANIZATION, OR ENTITY DESCRIBED IN  
17 PARAGRAPH (1) OR (2) OF THIS SUBSECTION HAS AN INSURABLE INTEREST IN THE  
18 LIFE OF THE INSURED WHETHER THE INSTITUTION, ORGANIZATION, OR ENTITY  
19 ORIGINALLY PURCHASED THE INSURANCE POLICY OR THE INSURANCE POLICY IS  
20 LATER TRANSFERRED TO THE INSTITUTION, ORGANIZATION, OR ENTITY BY THE  
21 INSURED OR ANOTHER PERSON.

22 [(3)] (4) This subsection does not prohibit the institution,  
23 ORGANIZATION, ENTITY, or individual from being the beneficiary or owner of the  
24 policy or paying the premiums for the policy.

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
26 October 1, 2004.